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**CENTURY GINWA RETAIL HOLDINGS LIMITED**

**世紀金花商業控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 162)**

**ANNOUNCEMENT  
VERY SUBSTANTIAL ACQUISITION  
IN RELATION TO  
THE LEASE AGREEMENT**

**THE LEASE AGREEMENT**

On 17 June 2022, Xi'an Century Ginwa, an indirect wholly-owned subsidiary of the Company, as lessee and the Lessor as lessor entered into the Lease Agreement for the lease of the Premise for a term of 20 years, subject to the Shareholders' approval to be obtained at the SGM.

**IMPLICATIONS UNDER THE LISTING RULES**

Pursuant to HKFRS 16, the entering into of the Lease Agreement by Xi'an Century Ginwa as lessee will require the Group to recognize right-of-use asset on its consolidated statement of financial position in relation to the Premise. Therefore, the entering into of the Lease Agreement will be regarded as an acquisition of asset by the Group under the Listing Rules. The value of right-of-use asset to be recognized by the Group under the Lease Agreement amounts to approximately RMB829.91 million.

As one of the applicable percentage ratios as defined under the Listing Rules in respect of the acquisition of right-of-use asset to be recognized by the Group under the Lease Agreement is more than 100%, the entering into of the Lease Agreement constitutes a very substantial acquisition of the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## GENERAL

The SGM will be convened and held by the Company to seek the Shareholders' approval of the Lease Agreement and the transactions contemplated thereunder. As additional time is required for preparing the information below to be included in the circular which contain, among other things, (i) further information on the Lease Agreement and the transactions contemplated thereunder and (ii) the notice of the SGM, the Company expects that the circular will be despatched to the Shareholders on or before 30 June 2022 in accordance with the Listing Rules.

## INTRODUCTION

The Board is pleased to announce that, on 17 June 2022, Xi'an Century Ginwa, an indirect wholly-owned subsidiary of the Company, as lessee and the Lessor as lessor entered into the Lease Agreement for the lease of the Premise for a term of 20 years, subject to the Shareholders' approval to be obtained at the SGM. The principal terms of the Lease Agreement are set out below.

## THE LEASE AGREEMENT

Date:	17 June 2022
Parties:	(1) Shaanxi Daming Palace Investment Development Co., Ltd.* (陝西大明宮投資發展有限責任公司) as lessor  (2) Xi'an Century Ginwa Shopping Mall Company Limited* (西安世紀金花購物有限公司) as lessee
Premise to be leased:	The commercial property "Daming Palace Shopping Mall (大明宮購物中心)" located at No. 359 Taihua North Road in Weiyang District, Xi'an City, with two floors underground and seven floors above ground. The Premise is for commercial purposes.  Whilst the actual leased floor area of the Premise is 212,814.89 m <sup>2</sup> , the Parties have agreed that the floor area for the purposes of calculation of rental fee under the Lease Agreement is 167,313.16 m <sup>2</sup> .
Preparatory Period, Rent-free Period and Lease Term:	Xi'an Century Ginwa is entitled to a 16-month period of preparatory period for redecoration and renovation of the Premise (the " <b>Preparatory Period</b> "), commencing from the effective date of the Lease Agreement.

A term of the lease under the Lease Agreement is 20 years commencing from the day after the expiration of the Preparatory Period (the “**Lease Term**”). The first six-month period of the Lease Term is the rent-free period (the “**Rent-free Period**”).

If the Lessor delays in delivering the Premise, the Preparatory Period, the Rent-free Period and the Lease Term shall be extended accordingly.

Rental fee:

During the Preparatory Period and the Rent-free Period, no rental fee will be paid by Xi’an Century Ginwa.

During the Lease Term after the Rent-free Period, the rental fee is approximately RMB1,669,977,800 (tax inclusive) in total and shall be calculated at the following rates for each period:

<b>Period</b>	<b>Rate per month</b> <i>(RMB0’000)</i>	<b>Total rent</b> <b>per annum</b> <i>(RMB0’000)</i>	<b>Increment</b>
1st year	610.69	3,664.16 <i>Note</i>	/
2nd - 3rd years	610.69	7,328.32	/
4th - 6th years	641.23	7,694.73	5%
7th - 9th years	673.29	8,079.47	5%
10th - 12th years	710.32	8,523.84	5.5%
13th - 15th years	749.39	8,992.65	5.5%
16th - 18th years	794.35	9,532.21	6%
19th - 20th years	842.01	10,104.14	6%

*Note: The first six-month period of the first year of the Lease Term is the Rent-free Period.*

Xi'an Century Ginwa shall be responsible for paying the utility costs such as water and electricity and the air-conditioning charges as well as the property management service fees incurred in respect of the Premise during the Preparatory Period and the Lease Term.

Payment terms:

Within seven days after the signing of the Lease Agreement, Xi'an Century Ginwa shall pay the earnest money of RMB70 million (the "**Earnest Money**") by way of wire transfer to the Lessor. After expiration of the Preparatory Period, RMB20 million of the Earnest Money will be re-assigned as performance bond (the "**Performance Bond**") and RMB50 million will be re-assigned as prepaid rental fees during the Lease Term (the "**Prepaid Rentals**"). The nature of the Performance Bond is the guarantee on the fulfilment of Xi'an Century Ginwa's obligations under the Lease Agreement, and if it fails to perform the obligations hereunder, the Lessor shall have the right to deduct the expenses and losses arising therefrom from the Performance Bond.

If the Lease Term expires or the Lease Agreement terminates, subject to other terms of the Lease Agreement, the Earnest Money, the Performance Bond and the remaining part of the Prepaid Rentals shall be refunded to Xi'an Century Ginwa within ten days.

If the Lease Agreement does not take effect within 90 days after the signing of the Lease Agreement or if the Lease Agreement was dissolved during the Preparatory Period, the total amount of the Earnest Money shall be refunded to Xi'an Century Ginwa within seven days after the Lessor is notified by Xi'an Century Ginwa.

During the Lease Term, the rental fee shall be payable every three months (the "**Rental Payment Period**"). Xi'an Century Ginwa shall make the rental payment for the next Rental Payment Period 15 days prior to the expiration of the current Rental Payment Period.

If there is any overdue payment of rental fees and Xi'an Century Ginwa fails to rectify the overdue payment within 90 working days after receiving the written notice from the Lessor, Xi'an Century Ginwa will be subject to a daily penalty fee of 0.02% of the overdue amount.

Right of first refusal: In the event that the Lessor proposes to sell the whole or any portion of the Premise to any third party, the Lessor shall notify Xi'an Century Ginwa of the proposed sale three months prior to the signing of the sales contract and Xi'an Century Ginwa shall have a right of first refusal to purchase such portion of the Premise during the Lease Term.

Renewal or termination of the Lease Agreement: Both Parties shall reach an agreement on whether to renew the Lease Agreement three months prior to the expiration of the Lease Term. Under the same commercial conditions, Xi'an Century Ginwa has the priority to lease the Premise.

The Lease Agreement may be terminated in certain circumstances and the defaulting party shall pay liquidated damages to the non-defaulting party according to the terms of the Lease Agreement. In addition, considering the changing business environment of the Premise (including the people flow, nearby population density, traffic conditions, commercial and residential environment, etc.), the business situation of the Premise leased and operated by Xi'an Century Ginwa may be affected. Both Parties agree that, if the Premise leased to Xi'an Century Ginwa reports loss in three consecutive months after it commences operating during the Lease Term, Xi'an Century Ginwa is entitled to terminate the Lease Agreement without being liable for breach of contract and all decoration and additions of the Premise made by Xi'an Century Ginwa shall belong to the Lessor.

Effective date of the Lease Agreement: The Lease Agreement will become effective after being signed and sealed by the legal representatives or authorized persons of both Parties and the delivery of the Premise by the Parties, subject to the approval by the Shareholders at the general meeting of the Company.

In the event that Xi'an Century Ginwa decides to terminate, revise or renew the Lease Agreement, or exercise its right of first refusal as described above in the future, the Company shall comply with all applicable requirements under the Listing Rules.

The rental fee and its payment arrangement were determined after arm's length negotiations between the Parties with reference to (i) the prevailing market rent of the Premise, which was RMB6,195,000 per month as at 31 March 2022 as valued by an independent professional valuer using market comparison method having taken into account comparable premises in the vicinity of the Premise; (ii) the leasable area, geographic location and surrounding conditions of the Premise; and (iii) an increment in rental fee at a rate ranging from 5% to 6% every three years having taken into account the growth trend of the rental fee in the Xi'an City and Shaanxi Province commercial property markets. The rental fee is expected to be funded through the internal resources of the Group.

## INFORMATION ON THE PARTIES

### The Lessor

The Lessor was established under PRC laws with limited liability and principally engages in investment management business. As at the date of this announcement, to the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Lessor was ultimately controlled by Xi'an Qujiang New District Management Committee\* (西安曲江新區管理委員會) (the "Committee"), which through its controlled subsidiaries indirectly owns approximately 95.56% equity interests of the Lessor. Specifically, the Lessor is directly wholly owned by Xi'an Qujiang Daming Palace Construction and Development Co., Ltd.\* (西安曲江大明宮建設開發有限公司), which is principally engaged in infrastructure construction, tourist site area development and management, etc. Xi'an Qujiang Daming Palace Construction and Development Co., Ltd.\* is directly wholly owned by Xi'an Qujiang Daming Palace Investment (Group) Co., Ltd.\* (西安曲江大明宮投資(集團)有限公司), which is principally engaged in real property development and culture tourism, etc. Xi'an Qujiang Daming Palace Investment (Group) Co., Ltd.\* is owned as to (i) approximately 70.37% by Xi'an Qujiang Cultural Holding Company Limited\* (西安曲江文化控股有限公司), which is directly owned as to 99.9% by the Committee and is principally engaged in investments in culture, urban construction, transportation, tourism, and other related fields; (ii) approximately 25.19% by Xi'an Qujiang Culture Industry Investment (Group) Co., Ltd.\* (西安曲江文化產業投資(集團)有限公司), a direct wholly-owned subsidiary of Xi'an Qujiang Cultural Holding Company Limited\*; and (iii) approximately 4.44% by CDB Development Fund Co., Ltd. (國開發展基金有限公司), a direct wholly-owned subsidiary of China Development Bank (國家開發銀行) which is a policy financial institution under the direct leadership of the State Council of China. As at the date of this announcement, Qujiang Cultural Financial International Investment Limited (曲江文化金融國際投資有限公司) directly holds approximately 29.24% of the ordinary shares in issue of the Company and thus is a substantial shareholder of the Company. Xi'an Qujiang Cultural Financial Holdings (Group) Co. Ltd.\* (西安曲江文化金融控股(集團)有限公司) holds the entire issued share capital of Qujiang Cultural Financial International Investment Limited. Each of the Committee and Xi'an Qujiang Cultural

Holding Company Limited\* beneficially owns 80.05% and 19.95% equity interests in Xi'an Qujiang Cultural Financial Holdings (Group) Co. Ltd.\*, respectively. As such, the Committee indirectly controls approximately 29.24% of the ordinary shares in issue of the Company. It is an administrative agency of Xi'an People's Government (西安市人民政府), a PRC Governmental Body within the meaning of Rule 19A.04 of the Listing Rules, and therefore not a connected person of the Company by virtue of Rule 14A.10 of the Listing Rules. Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Lessor and its ultimate beneficial owners are third parties independent of the Company and its connected persons, and the subsidiaries controlled by the Committee which currently holds equity interest in the Lessor do not have any other relationship (such as shareholding or business), formal or informal, with the Company and its connected persons.

### **Xi'an Century Ginwa**

Xi'an Century Ginwa was established under PRC laws with limited liability and is an indirect wholly-owned subsidiary of the Company. It principally engages in the operation of department stores.

### **REASONS FOR AND BENEFITS OF ENTERING INTO OF THE LEASE AGREEMENT**

The Group principally engages in the operation of department stores, a shopping mall and supermarkets in the PRC. Daming Palace Shopping Mall has an advantageous commercial location, and the surrounding customers have comparatively strong consumption capacity. The entering into of the Lease Agreement to operate the Premise as a new, full-customer, and intelligent comprehensive shopping center is in line with the Company's strategic plan, which can provide a meaningful supplement to the Company's existing commercial projects which are in relatively small size with traditional department store business model, and help to revitalize the Company's brand position in the Xi'an market and be conducive to the overall performance of the Group.

The Directors consider that the Lease Agreement has been entered into on normal commercial terms in the ordinary and usual course of business of the Company, and that the terms thereof are fair and reasonable and in the interest of the Company and its shareholders as a whole.



## **FINANCIAL EFFECTS OF THE TRANSACTIONS CONTEMPLATED UNDER THE LEASE AGREEMENT**

The value of the right-of-use asset to be recognized by the Group under the Lease Agreement amounts to approximately RMB829.91 million which is calculated with reference to the present value of the total rental fee payable under the Lease Agreement and lease payments made at or before the commencement date in accordance with HKFRS16. Incremental borrowing rate of 6.70% is applied to compute the present value of total rental fee payable under the Lease Agreement. The right-of-use asset will be depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Interest expenses on the lease liabilities will be recognized at the rate of 6.70% per annum. After the commencement date of the lease, the lease liabilities are adjusted by the interest accretion and lease payments. Upon commencement of the lease term under the Lease Agreement, the consolidated total assets of the Group will increase by approximately RMB782.74 million, and a corresponding amount of lease liabilities of approximately RMB782.74 million will be recognized at the same time. The Group expects the transaction contemplated under the Lease Agreement will increase the annual depreciation charges of right-of-use assets by approximately RMB41.5 million and finance costs in relation to the lease liability by approximately RMB54.08 million in the first year of the Lease Agreement.

## **IMPLICATIONS UNDER THE LISTING RULES**

Pursuant to HKFRS 16, the entering into of the Lease Agreement by Xi'an Century Ginwa as lessee will require the Group to recognize right-of-use asset in relation to the Premise on its consolidated statement of financial position. Therefore, the entering into of the Lease Agreement will be regarded as an acquisition of asset by the Group under the Listing Rules. The value of right-of-use asset to be recognized by the Group under the Lease Agreement amounts to approximately RMB829.91 million.

As one of the applicable percentage ratios as defined under the Listing Rules in respect of the acquisition of right-of-use asset to be recognized by the Group under the Lease Agreement is more than 100%, the entering into of the Lease Agreement constitutes a very substantial acquisition of the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **GENERAL**

The SGM will be convened and held by the Company to seek the Shareholders' approval of the Lease Agreement and the transactions contemplated thereunder. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has any material interest in the Lease Agreement. As such, no Shareholder nor his close associates would be required to abstain from voting at the SGM on the resolution to approve the same.



As additional time is required for preparing the information below to be included in the circular which contain, among other things, (i) further information on the Lease Agreement and the transactions contemplated thereunder and (ii) the notice of the SGM, the Company expects that the circular will be despatched to the Shareholders on or before 30 June 2022 in accordance with the Listing Rules.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“close associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Company”	Century Ginwa Retail Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange (stock code: 162)
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HKFRS 16”	Hong Kong Financial Reporting Standard 16 Lease issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lease Agreement”	the lease agreement dated 17 June 2022 entered into between Xi’an Century Ginwa as lessee and the Lessor as lessor in respect of the lease of the Premise for a term of 20 years
“Lessor”	Shaanxi Daming Palace Investment Development Co., Ltd.* (陝西大明宮投資發展有限責任公司), a company established in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	the Lessor and Xi’an Century Ginwa, each a “Party”

“PRC”	the People’s Republic of China
“Premise”	the commercial property “Daming Palace Shopping Mall (大明宮購物中心)” located at No. 359 Taihua North Road in Weiyang District, Xi’an City, with two floors underground and seven floors above ground
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Lease Agreement and the transactions contemplated thereunder
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“Xi’an Century Ginwa”	Xi’an Century Ginwa Shopping Mall Company Limited* (西安世紀金花購物有限公司), a company established in the PRC and is an indirect wholly owned subsidiary of the Company
“%”	per cent
“m <sup>2</sup> ”	square metres

\* *The English transliteration of the Chinese names in this announcement, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.*

By order of the Board  
**Century Ginwa Retail Holdings Limited**  
**Huang Shunxu**  
*Chairman*

Hong Kong, 17 June 2022

*As at the date of this announcement, the Board comprises three executive directors, being Mr. Huang Shunxu, Mr. Qin Chuan and Ms. Wan Qing; two non-executive directors, being Mr. Li Yang and Mr. Chen Shuai, and three independent non-executive directors, being Mr. Tsang Kwok Wai, Mr. Ruan Xiaofeng and Ms. Song Hong.*